

# **Fiscal Services Division**

## **Legislative Services Agency**

### **Fiscal Note**

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HF 2563 - Value Added Ag Tax Credit (LSB 5691 HZ)

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Fiscal Note Version – New

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#### **Description**

House File 2563 creates a 50.0% tax credit for approved equity investments in Iowa value-added agriculture production facilities. Total credits issued are limited to \$5.0 million per year. If credit applications in excess of \$5.0 million are received by the Department of Revenue, the Department must prorate the credits so that no more than the \$5.0 million is awarded.

The credits are available for tax years beginning on or after January 1, 2004. The credits cannot be redeemed for three fiscal years. Beginning with the third fiscal year, the credits may be redeemed in one-fifth increments until fully redeemed. Tax credits in excess of liability in one year may be carried forward five tax years.

#### **Assumptions**

1. Iowa value-added agriculture production capital investment will exceed \$10.0 million per year in FY 2004 and all subsequent fiscal years.
2. Once awarded, the tax credits will be redeemed over six State fiscal years.
3. The creation of the new tax credit in HF 2382 will not reduce the usage of the tax credit for value-added agriculture allowed under Section 15E.43, Code of Iowa.

#### **Fiscal Impact**

The redemption of tax credits created in HF 2563 will reduce General Fund revenues by the following amounts:

#### **Value-Added Agriculture - HF 2563 Tax Credit Redemption**

	General Fund Amount
FY 2007	\$ - 500,000
FY 2008	- 1,500,000
FY 2009	- 2,500,000
FY 2010	- 3,500,000
FY 2011	- 4,500,000
FY 2012	- 5,000,000
FY 2013	- 5,000,000

#### **Source**

Legislative Services Agency analysis

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Dennis C Prouty

April 1, 2004

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The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Fiscal Services Division, Legislative Services Agency to members of the Legislature upon request.

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